

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6878**

**BILL NUMBER:** HB 1330

**NOTE PREPARED:** Jan 10, 2008

**BILL AMENDED:**

**SUBJECT:** Eliminate Sales Tax on Gasoline.

**FIRST AUTHOR:** Rep. Oxley

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill eliminates the Gross Retail Tax (Sales Tax) on gasoline.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:** This bill will result in a cost savings for the Department of State Revenue (DOR). The DOR will no longer be required to collect and administer the Sales Tax on gasoline (the definition of gasoline used in this bill does not include diesel fuel). The amount of the savings is indeterminable.

Sales Tax on gasoline is collected differently than Sales Tax on other purchases. By statute, retailers are required to prepay the Sales Tax on gasoline. The prepayment rate is equal to the statewide average price per gallon, multiplied by the Sales Tax rate, multiplied by 90%. The prepayment rate is determined semiannually (in June and December) by the DOR, and is limited to 125% of the previous prepayment rate. Retail merchants are then required to file their returns monthly and remit Sales Tax which has been collected on the gasoline, less the amount of prepaid tax.

The bill provides that the DOR must establish temporary rules to facilitate the refund of prepayments made for a reporting period before July 1, 2008, for gasoline that is purchased or shipped for retail sale after June 30, 2008.

**Explanation of State Revenues:** *Summary:* This bill will decrease state revenues by between an estimated \$335.8 M and \$427.7 M annually by eliminating the Sales Tax on gasoline (the definition of gasoline used in this bill does not include diesel fuel). There will be an estimated loss of between \$339.1 M and \$431 M

in Sales Tax revenue, and an estimated gain of \$3.3 M in state Gasoline Tax revenues. The increase in state Gasoline Tax revenue is a result of the estimated increase in gallons sold because of the pump price decrease that would occur by eliminating the Sales Tax on gasoline. The bill also prohibits a retailer from including any amount for state Sales Tax in the price for gasoline at a metered pump.

*Background:* The high range of the impact of exempting gasoline from Sales Tax is based on the Energy Information Association's Short Term Energy Outlook estimate of Midwest gas prices (excluding taxes) for CY 2008 and CY 2009. The EIA estimates that Midwest gas prices will be approximately \$2.46 after subtracting all applicable taxes. The low estimate represents the loss of Sales Tax if gas prices and gallons sold are approximately the same as the previous three fiscal years.

The table below illustrates the revenue loss for each fund included in the Sales Tax distribution formula.

Fund	Revenue Impact (in millions)	Revenue Impact (in millions)
	Low Range	High Range
Property Tax Replacement Fund	(\$ 167.9)	(\$ 213.9)
State General Fund	(164.7)	(209.9)
Public Mass Transportation Fund	(2.6)	(3.2)
Industrial Rail Service Fund	(0.1)	(0.1)
Commuter Rail Service Fund	(0.5)	( 0.6)
<b>Total</b>	<b>(\$ 335.8)</b>	<b>(\$ 427.7)</b>

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill will result in an increase in local revenues. A portion of the \$3.3 increase in Gasoline Tax revenue will be distributed to local governments according to the Motor Vehicle Highway Account and the Local Road & Street Account distribution formulas.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Local units and recipients of Gasoline Tax revenues.

**Information Sources:** Bob Lain, State Budget Agency, 317-232-3471. [www.eia.doe.gov](http://www.eia.doe.gov)

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